

## TARIFF ACTION MEMO

To Commissioners:

Robert M. Pickett, Chairman  
Keith Kurber II  
Antony G. Scott  
Daniel A. Sullivan  
Janis W. Wilson

Date: June 21, 2021  
Date Filed: May 14, 2021  
45-Days Ends: June 28, 2021

From: Julie C. Vogler, Utility Financial Analyst

Subject: TA327-4 ENSTAR Natural Gas Company (ENSTAR) – Determination of Gas Cost Adjustment for the period of July 1, 2021 through June 30, 2022.

### **Recommendation**

Staff recommends the Commission:

1. Approve Tariff Sheet Nos. 89 and 221 filed on June 17, 2021, with an effective date of July 1, 2021. Side-by-side copies are attached as Schedule JCV-1.
2. Grant ENSTAR's request to waive 3 AAC 52.506(g)(1), (2), (5), and (7).

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Julie C. Vogler Title: Utility Financial Analyst  
Julie C. Vogler

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Commission decision regarding this recommendation:

	Date (if different from 6/21/21)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
Kurber	_____	<u>KIL</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	<u>6/23/21</u>	<u>Julie</u>	_____	_____

\* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction Letter Order

## **M E M O R A N D U M**

To: Robert M. Pickett, Chairman  
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From: Julie C. Vogler  
Utility Financial Analyst

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### **Recommendation**

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2. Grant ENSTAR's request to waive 3 AAC 52.506(g)(1), (2), (5), and (7).

### **Filing**

On May 14, 2021, ENSTAR filed TA327-4, proposing to decrease the Gas Cost Adjustment (GCA) from \$8.3234 per Mcf to \$8.1301 per Mcf, for the period of July 1, 2021 through June 30, 2022. The primary drivers of the decrease in the GCA are the balance account balance as of March 31, 2021 (an over-collection of approximately \$7.6 million) which is a result of ENSTAR purchasing lower priced gas;<sup>1</sup> and a \$1.8 million decrease in the Kenai Beluga Pipeline (KBPL) transportation charges under the Hilcorp GSA which is a result of streamlining the nomination processes.<sup>2</sup> ENSTAR stated that these decreases were offset by estimated increases of approximately \$2.4 million in the cost of gas purchased under its base gas supply agreements; specifically, the gas purchases under the Vision Resources GSA are at a slightly higher price than the gas purchases

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<sup>1</sup> ENSTAR purchased volumes under the Interruptible GSA's with Furie and Bluecrest instead of purchasing optional volumes under the Hilcorp GSA.

<sup>2</sup> ENSTAR is able to increase nominations at locations where they don't have to incur KBPL transportation fees.

under the AIX GSA, which is now expired.<sup>3</sup>

TA327-4 included a Tariff Advice (TA) letter, Tariff Sheet Nos. 89 and 221, the GCA calculation, a schedule showing the purchase price/rate per Mcf, Cook Inlet Natural Gas Alaska, LLC (CINGSA) storage fee calculations, a copy of an interruptible Gas Sales Agreement (GSA) with BlueCrest Alaska Operating LLC (including a transaction confirmation), and a copy of a letter to Hilcorp exercising the needle peak option for contract year 2 (April 2021 through March 2022). In support of TA327-4, ENSTAR provided Staff an excel workbook<sup>4</sup> that includes the following worksheets: GCA Calculation, TA Letter Tables, Purchase Price, Total Purchase, Storage Inventory, System Supply, System Supply Transportation, and Transportation. ENSTAR filed three supplements to TA327-4.<sup>5</sup> ENSTAR filed revised Tariff Sheet Nos. 89 and 221 on June 17, 2021.<sup>6</sup> ENSTAR requested an effective date of July 1, 2021.<sup>7</sup>

### Notice

ENSTAR indicated that the June bill stuffer will discuss the dollar amount of the gas cost presented in TA327-4. In addition, ENSTAR published a copy of TA327-4 on its website.<sup>8</sup> In accordance with historic Commission practice,<sup>9</sup> a publication notice was not

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<sup>3</sup> TA Letter at 1 and 2.

<sup>4</sup> Per ENSTAR's request, and consistent with prior GCA filings, Staff held the excel workbook as confidential Staff workpapers under 3 AAC 48.040(b)(10) which states the following:

3 AAC 48.040 Confidential records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding;

<sup>5</sup> Supplemental Filing (Tariff Supplemental Filing re: Needle Peak Volumes) and (Tariff Supplemental Filing re: Response to Staff Questions), dated May 27, 2021; and Supplemental Filing (Tariff Supplement re: Response to Staff's Request- Revised Tariff Sheet Nos. 89 and 221), dated June 17, 2021.

<sup>6</sup> Supplemental Filing (Tariff Supplement re: Response to Staff's Request- Revised Tariff Sheet Nos. 89 and 221).

<sup>7</sup> TA Letter at 10.

<sup>8</sup> TA Letter at 9 and 10. Staff verified that TA327-4 is posted on ENSTAR's website, including the supporting schedules and Tariff Sheet Nos. 89 and 221. <https://www.enstarnaturalgas.com/about-enstar/rates-regulatory/current-regulatory-filings>.

<sup>9</sup> 3 AAC 52.506(d) states "For a GCA filing under (b) of this section, a gas utility is not required to give public notice under AS 42.05.411..."

issued for TA327-4.

### Analysis

ENSTAR calculated its GCA for the period of July 1, 2021 through June 30, 2022 by totaling its estimated costs for base supply contracts, costs for additional gas supply contracts, costs for gas withdrawn from storage, Firm Storage Service (FSS) fees, transportation fees, and the actual balance account balance at March 31, 2021. This total is divided by the projected Mcf gas sales volume for the effective period, which results in an estimated weighted average unit cost of gas.<sup>10</sup>

#### Approved Base Supply Contracts

ENSTAR currently has approved base supply contracts with Hilcorp APL-14 (APL-14),<sup>11</sup> and Furie Operating Alaska (Furie).<sup>12</sup> ENSTAR's GCA, found at Tariff Sheet No. 221, includes the following:

<u>Approved Base Supply Contract</u>	<u>Estimated Purchases (Mcf)</u>	<u>Estimated Unit Cost (Mcf)</u>	<u>Total</u>
Hilcorp APL-14	27,580,000	\$ 8.0307	\$ 221,487,000
Furie Operating Alaska	2,292,000	\$ 6.7247	\$ 15,413,000
	<u>29,872,000</u>		<u>\$ 236,900,000</u>
Average Cost		<u>\$ 7.9305</u>	

*Hilcorp APL-14:* The APL-14 GSA provides for annual price changes effective April 1 of each year. The annual price cannot increase more than 1.5% and decrease more than 1%.<sup>13</sup> In addition, the sales price is subject to a floor of \$7.55 per Mcf and a ceiling of \$8.89 per Mcf.<sup>14</sup> Staff notes the pricing provisions apply to firm gas, daily call option

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<sup>10</sup> See Gas Cost Adjustment Calculation filed with TA327-4.

<sup>11</sup> Hilcorp Alaska, LLC Amended and Restated Gas Sale and Purchase Agreement filed as TA317-4 and approved with L2000321. The term of the GSA is July 1, 2020 through March 31, 2033.

<sup>12</sup> Furie Operating Alaska, LLC Gas Sale and Purchase Agreement filed as TA282-4 and approved with L1600193; Amendment to Gas Sales Agreement filed as TA296-4 and approved with L1700450; Second Amendment to Gas Sales Agreement filed as TA315-4 and approved with L1900468; Third Amendment to Gas Sales Agreement filed as TA316-4 and approved with L2000142; and Fourth Amendment to Gas Sales Agreement filed as TA325-4 and approved with L2100175. The term of the Furie GSA, including amendments, is April 1, 2018 through March 31, 2023.

<sup>13</sup> Definition of Annual Price Modifier found on page 2 of the APL-14 GSA.

<sup>14</sup> Definition of Sales Price Floor and Sales Price Ceiling found on page 9 of the APL-14 GSA.

gas, and needle peak gas for the term of the GSA.<sup>15</sup>

The price of gas is based off of a series of calculations which use the following indices for the two years preceding the effective contract year: Consumer Price Index U.S, Non-Seasonally Adjusted Producer Price Index, and Seasonally Adjusted Producer Price Index.<sup>16</sup> Although the needle peak gas is subject to the same pricing provisions of firm gas and daily call option gas, it is also subject to a needle peak fee reservation fee of \$4 million per contract year.<sup>17</sup> In addition to firm gas, daily call gas, and needle peak gas, ENSTAR has the option to purchase discretionary gas- the price and volumes of this gas are agreed to by ENSTAR and Hilcorp and are confirmed with a Discretionary Gas Sales Form.<sup>18</sup>

Under the Hilcorp GSA, the price of gas is \$7.63 per Mcf for the period of July 2021 through March 2022.<sup>19</sup> ENSTAR applied the 1.5% price cap to the \$7.63 per Mcf to estimate the cost of gas for the period of April 2022 through June 2022, which resulted in a price of \$7.74 per Mcf.<sup>20</sup> ENSTAR estimated it will purchase a total of 27,580,000 Mcf of gas, which consists of 23,501,000 Mcf of firm gas, 3,592,000 Mcf of daily call option gas, and 487,000 Mcf of needle peak gas<sup>21</sup> for system supply at a weighted average price of gas \$8.0307 per Mcf.<sup>22</sup> The weighted average price of gas<sup>23</sup> includes the cost of firm gas, daily call option gas, needle peak gas, and needle peak fees.

*Furie Operating Alaska:* The Furie GSA provides for annual price and volume

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<sup>15</sup> Section 7.1 of the APL-14 GSA.

<sup>16</sup> Section 7.1 of the APL-14 GSA.

<sup>17</sup> Per Section 7.1(E) of the APL-14 GSA, the needle peak fees are billed on a monthly basis with a specified dollar amount each month.

<sup>18</sup> Section 2.3(D) and Exhibit B of the APL-14 GSA.

<sup>19</sup> The calculation was filed with TA327-4 as Re: Contract Year 2 Sales Price for Gas Sales Agreement Between Hilcorp Alaska, LLC and Alaska Pipeline Company (APL-14, Amended and Restated), Dated December 23, 2015, Exhibit N.

<sup>20</sup> TA Letter at 3 and Supplemental filing (Tariff Supplemental Filing re: Response to Staff Questions), filed May 27, 2021.

<sup>21</sup> See Re: Amended and Restated APL-14 Gas Sales Agreement-Needle Peak Call Option-Contract Year 2 filed with TA327-4.

<sup>22</sup> TA Letter at 3 and 4. Staff verified the pricing provisions of the APL-14 GSA and recalculated the \$8.0307 per Mcf without exception.

<sup>23</sup> Staff notes the estimated unit cost of gas in the amount of \$8.0307 found on Tariff Sheet No. 221 and page 4 of the TA Letter includes transportation fees of \$0.2394 per Mcf (this is further discussed in the transportation section of this memorandum) and Needle Peak fees in the amount of \$4 million.

changes effective April 1 of each year. Under the Furie GSA, the price of gas is \$6.71 per Mcf from July 2021 through March 2022 and \$6.85 per Mcf April 2022 through June 2022.<sup>24</sup> ENSTAR estimated it will purchase a total of 2,292,000 Mcf of gas at a weighted average price of gas of \$6.7247 per Mcf.<sup>25</sup>

#### Additional Gas Supply Contracts

*Short Term Supply Contracts:*<sup>26</sup> ENSTAR entered into an Interruptible GSA with BlueCrest Alaska Operating Alaska, LLC (BlueCrest GSA).<sup>27</sup> ENSTAR expects to purchase 165,000 Mcf of gas at a price of \$6.70 per Mcf.<sup>28</sup>

*Undetermined Supply:* On April 21, 2021, the Commission conditionally approved the Gas Sale and Purchase Agreement between Vision Resources, LLC and Alaska Pipeline Company (Vision Resources GSA), based on DNR-DOG<sup>29</sup> approval of the transfer of the State oil and gas leases associated with the NFU<sup>30</sup> from Cook Inlet Energy, LLC to Gardes Holding, Inc.<sup>31</sup> On May 19, 2021, ENSTAR notified the Commission that it believed the condition had been met. ENSTAR provided a letter from DNR-DOG that approved the transfer of operatorship of the NFU to Vision Operating, LLC.<sup>32</sup> On May 24, 2021, the Commission acknowledged that the transfer of operatorship to Vision Operating, LLC was approved by DNR-DOG, but stated that the condition had not been met because the transfer of State oil and gas leases to Vision Resources, LLC had not been approved.<sup>33</sup> As of the date of this Staff Memorandum, the Commission has not received notification that the condition has been met and the Vision Resources GSA remains conditionally approved.

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<sup>24</sup> See Section 3.1 of the Furie GSA and TA Letter at 5.

<sup>25</sup> TA Letter at 5. Staff verified the pricing provisions of the Furie GSA and recalculated the \$6.7247 per Mcf without exception.

<sup>26</sup> Section 708f(2) of ENSTAR's tariff found at Tariff Sheet No. 82 provides that contracts less than one year in duration become effective immediately without notification and are considered an approved cost element in its Gas Cost Balance Account (GCBA).

<sup>27</sup> The BlueCrest GSA is effective September 1, 2020 through August 31, 2021.

<sup>28</sup> TA Letter at 6 and 7, and Transaction Confirmation filed with the BlueCrest GSA.

<sup>29</sup> Department of Natural Resources, Division of Oil and Gas.

<sup>30</sup> North Fork Unit.

<sup>31</sup> See L2100142.

<sup>32</sup> See TR2102872, Tariff Advice Letter 324-4/LO# L2100142 Compliance Filing.

<sup>33</sup> See L2100178.

When ENSTAR filed TA327-4 on May 14, 2021, ENSTAR anticipated that the condition would have been met and the Vision Resources GSA would have been approved by the Commission as a base supply contract by June 28, 2021, to be effective July 1, 2021. As such, ENSTAR included the estimated gas purchases on Tariff Sheet Nos. 89 and 221. Staff requested that ENSTAR file revised Tariff Sheet Nos. 89 and 221 removing the Vision Resources GSA as a base supply contract. ENSTAR filed the revised Tariff Sheets removing the Vision Resources GSA as a base supply contract and moved the volumes and amounts to undetermined supply at Line 2b. Staff confirmed with ENSTAR that it will not purchase volumes under the Vision Resources GSA until the Commission approves the Vision Resources GSA.<sup>34</sup>

The Vision Resources GSA provides for annual price changes effective April 1 of each year. Under the Vision Resources GSA, the price of gas is \$7.30 per Mcf from July 2021 through March 2022, and \$7.37 per Mcf April 2022 through June 2022.<sup>35</sup> ENSTAR estimated it will purchase 946,000 Mcf of gas at a weighted average price of gas of \$7.3164 per Mcf.<sup>36</sup>

#### Gas Withdrawn from Storage

ENSTAR records the cost of stored gas in FERC Account 164.1, Gas Stored, which includes the cost of gas purchased and injected into storage, transportation fees incurred for the gas transported to storage, FSS and ISS injection and withdrawal fees and related RCC charges, and gas costs incurred for FSS and ISS storage fuel use<sup>37</sup> reimbursement.<sup>38</sup> ENSTAR calculates the average unit cost of stored gas on a monthly basis by dividing the ending storage inventory dollars by the ending storage inventory volumes. When ENSTAR withdraws gas from storage, ENSTAR applies the average unit cost of gas from the previous month to the volumes withdrawn in the current month. ENSTAR expects to withdraw 2,893,000 Mcf of gas from storage at an average unit price

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<sup>34</sup> Supplemental Filing (Tariff Supplement re: Response to Staff's Request- Revised Tariff Sheet Nos. 89 and 221), dated June 17, 2021.

<sup>35</sup> See Section 7.1 of the Vision Resources GSA and TA Letter at page 3.

<sup>36</sup> TA Letter at 3. Staff verified the pricing provisions of the Vision Resources GSA and recalculated the \$7.3164 per Mcf without exception.

<sup>37</sup> Section 30 found at CINGSA's Tariff Sheet Nos. 67 and 68, and Tariff Sheet No. 77.

<sup>38</sup> Section 708(c)(1)(d) found at ENSTAR's Tariff Sheet No. 87.

of \$7.9049<sup>39</sup> per Mcf.<sup>40</sup>

#### FSS Storage Fees<sup>41</sup>

ENSTAR's calculation of the GCA includes total storage fees in the amount of \$12,318,000 which includes reservation and capacity fees, well maintenance surcharge fees, the CINGSA tax credit, and CINGSA non-firm revenue credits. Detailed discussion of these components follows.

*Reservation and Capacity Fees:* ENSTAR's FSS Agreement with CINGSA provides for a maximum storage quantity (MSQ) of 8,775,000 Mcf; a contract injection quantity (CIQ) of 106,900 Mcf; and a maximum daily withdrawal quantity (MDWQ) of 102,900 Mcf.<sup>42</sup> ENSTAR's reservation fees are calculated by multiplying its MDWQ by CINGSA's reservation rate,<sup>43</sup> and ENSTAR's capacity fees are calculated by multiplying its MSQ by CINGSA's capacity rate.<sup>44</sup> Storage fees includes total reservation and capacity fees of \$14,285,000, which includes RCCs.

*Well Maintenance Surcharge:* CINGSA's tariff provides that well maintenance costs<sup>45</sup> be billed to FSS customers monthly, based on the maximum storage quantity (MSQ) and maximum storage withdrawal quantity (MDWQ) in CINGSA's storage facility.<sup>46</sup> Storage fees includes well maintenance costs of \$21,297 per month, or \$264,000 per year, including RCCs.

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<sup>39</sup> Staff notes the average cost of gas withdrawn from storage for the period of July 1, 2020 through June 30, 2021, was \$7.8792 per Mcf (See TA319-4 approved with Letter Order No. L2000243).

<sup>40</sup> TA Letter at 6. Staff verified ENSTAR's calculation provided in the confidential excel workbook.

<sup>41</sup> TA Letter at 6 to 7. Staff verified ENSTAR's calculation provided in the confidential excel workbook.

<sup>42</sup> Approved with L1100561, dated October 24, 2011 and correction letter, dated December 22, 2011; and Order No. U-18-004(9)/U-18-005(6), *Order Accepting Stipulation as Modified and Closing Dockets*.

<sup>43</sup> CINGSA Tariff Sheet No. 75.

<sup>44</sup> CINGSA Tariff Sheet No. 75.

<sup>45</sup> The well maintenance surcharge methodology was filed as TA35-733, and approved with L1900454, effective December 16, 2019; and the well maintenance surcharge was filed as TA36-733 and approved with L2000069, effective March 3, 2020.

<sup>46</sup> CINGSA Tariff Sheets Nos. 88, 89, and 90.

Staff notes that ENSTAR's MSQ is 8,775,000 Mcf and its CWQ is 102,900 Mcf.<sup>47</sup> Applying the current CINGSA rates<sup>48</sup> to the MSQ results in MSQ fees in the amount of \$11,408<sup>49</sup> and CWQ fees in the amount of \$9,889,<sup>50</sup> or a total of \$21,297 per month. The CINGSA invoices filed with the quarterly GCBA filings include the well maintenance surcharge fees. CINGSA invoices reflect that ENSTAR has been charged these fees since March 2020. Staff verified the total monthly amount of \$21,297 during its review of CINGSA invoices included with the quarterly GCBA filings.<sup>51</sup>

*CINGSA Tax Credit:* CINGSA's tariff requires CINGSA to allocate a portion of its annual tax credit of \$1,500,000 to its FSS customers based on each of the FSS customers MSQ<sup>52</sup> in CINGSA. The tax credit is to be reflected on the CINGSA invoice January of each year.<sup>53</sup> ENSTAR calculated its portion of the CINGSA annual tax credit to be (\$1,238,000), including RCCs.

*Non-Firm Revenue Credits:* CINGSA's tariff requires<sup>54</sup> CINGSA to allocate non-firm revenues to its FSS customers on a monthly basis, based on its MSQ and MDWQ in CINGSA's storage facility.<sup>55</sup> To estimate the non-firm revenue credits to be received during the period of July 1, 2021 to June 30, 2022, ENSTAR used the actual non-firm revenue credits, in the amount of (\$960,094), that it received during the period of April 1, 2020 through March 31, 2021, the time period that coincides with the balance account balance used in the calculation of the GCA.

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<sup>47</sup> See Amendment No. 3 to ENSTAR's FSS Agreement with CINGSA, filed in Docket U-18-004/U-18-005 and approved with Order U-18-004(9)/U-18-005(6), issued August 24, 2018.

<sup>48</sup> CINGSA Tariff Sheet No. 90. The rate applied to the MSQ is \$0.0013 per Mcf and the rate applied to the CWQ is \$0.0961 per Mcf.

<sup>49</sup> Equals 8,775,000 x \$0.0013.

<sup>50</sup> Equals 102,900 x \$0.0961.

<sup>51</sup> See TR2004341, TR2004609, TR005744, TR2006126, TR2100340, TR2100682, TR2102311, and TR2102622.

<sup>52</sup> The CINGSA storage facility has a total MSQ of 11,000,000 Mcf.

<sup>53</sup> Tariff Sheet No. 80 and 81 of CINGSA's Tariff, filed with TA12-733 and approved with L1300512, effective November 18, 2013.

<sup>54</sup> Required by Order U-18-043(15), ORDER RESOLVING REVENUE REQUIREMENT AND COST-OF-SERVICE ISSUES AND REQUIRING FILINGS, issued August 16, 2019; and approved with Order U-18-043(19), ORDER ACCEPTING COMPLIANCE FILINGS, APPROVING TARIFF SHEETS, APPROVING REFUND PLAN, AND REQUIRING FILING- the Tariff Sheets were effective November 1, 2019.

<sup>55</sup> CINGSA Tariff Sheet Nos. 83 and 84.

The CINGSA invoices filed with the quarterly GCBA filings include the non-firm revenue credits that are allocated to ENSTAR. CINGSA invoices reflect that ENSTAR has been receiving non-firm revenue credits since October 2019 and continued to receive non-firm revenue credits through March 2021 (this is the most recent quarterly GCBA filing that has been filed with the Commission). As such, ENSTAR has not yet received non-firm revenue credits that coincide with the projection period of the GCA (i.e. July 1 to June 30). Therefore, Staff believes that using the actual non-firm revenue credits received during the time period that coincides with the balance account balance is the most reasonable in the current GCA filing. Staff verified the amount of (\$960,094) during its review of CINGSA invoices included with the quarterly GCBA filings.<sup>56</sup> The table below reflects the non-firm revenue credits received by ENSTAR, and supported by the CINGSA invoices by month, for the period of April 2020 through March 2021.

Apr-20	\$ (113,384)
May-20	\$ (36,287)
Jun-20	\$ (29,624)
Jul-20	\$ (8,103)
Aug-20	\$ (54,330)
Sep-20	\$ (94,190)
Oct-20	\$ (109,556)
Nov-20	\$ (159,535)
Dec-20	\$ (154,184)
Jan-21	\$ (91,030)
Feb-21	\$ (78,703)
Mar-21	\$ (31,167)
<b>Total</b>	<b>\$ (960,094)</b>

Staff notes total non-firm revenue credits in the amount of (\$993,000) includes RCCs in the amount of (\$32,906).<sup>57</sup>

Transportation (Fees, Reimbursement, and Lost and Unaccounted for Gas Retention (LAUF) Amount and Fuel Retention Amount (Fuel))

Gas that is shipped on the Kenai Beluga Pipeline (KBPL), is subject to the KBPL

<sup>56</sup> See TR2004341, TR2004609, TR005744, TR2006126, TR2100340, TR2100682, TR2102311, and TR2102622.

<sup>57</sup> Equals \$993,000-\$960,094.

tariff rate of \$0.3290 per Mcf.<sup>58</sup> ENSTAR estimated that 2,725,152 Mcf of gas will be transported on KBPL, resulting in transportation fees of \$900,000, including RCCs.<sup>59</sup> ENSTAR's estimated transportation fees, shown on line 6 of Tariff Sheet No. 221, includes volumes purchased under the Vision Resources GSA, the Furie GSA, and the BlueCrest Interruptible GSA. Staff notes ENSTAR is invoiced by Harvest Alaska LLC for the transportation fees associated with these GSA's. The volumes purchased under the APL-14 GSA are also shipped on KBPL; however, the transportation costs are included on the Hilcorp gas invoices to ENSTAR, rather than a separate invoice. As such, the KBPL transportation fees are included in the cost of gas used in the calculation of the GCA. The APL-14 GSA includes transportation costs of \$6,602,000 or \$0.2394 per Mcf.<sup>60</sup>

In addition to the KBPL transportation rate, the Vision Resources GSA, Furie GSA, and BlueCrest Interruptible GSA, are subject to the LAUF and Fuel Amount of 0.75%.<sup>61</sup> ENSTAR estimated it will provide approximately 20,590 Mcf<sup>62</sup> of gas to KBPL for LAUF and Fuel associated with these GSAs. Staff notes the APL-14 GSA is not subject to the LAUF and Fuel percentage of 0.75%.<sup>63</sup>

#### Gas Cost Balance Account

Although ENSTAR files its GCA on an annual basis, ENSTAR files its GCBA reports on a quarterly basis, 15 days after the end of each calendar quarter.<sup>64</sup> Staff reviews the GCBA reports upon filing to ensure the March 31<sup>65</sup> balance account balance used in the calculation of the GCA is accurate. Staff reviewed the GCBA filings<sup>66</sup> for the period of April 1, 2020 through March 31, 2021 and recalculated the March 31, 2021

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<sup>58</sup> The rate of \$0.3290 found on KBPL Tariff Sheet No. 82 was filed with TL54-668 and approved with L2000298, effective August 1, 2020.

<sup>59</sup> TA Letter at 8 to 9. Staff verified ENSTAR's calculation provided in the confidential excel workbook.

<sup>60</sup> TA Letter at 4. Staff verified ENSTAR's calculation provided in the confidential excel workbook.

<sup>61</sup> KBPL's Tariff Sheet No. 82.1 filed with TL57-668 and approved with L2100039, effective March 1, 2021.

<sup>62</sup> Calculation provided in the TA Letter at 9 and the confidential excel workbook. Staff verified ENSTAR's calculation.

<sup>63</sup> Definitions and Section 7.2 of the APL-14 GSA.

<sup>64</sup> Section 708g found at Tariff Sheet No. 90.

<sup>65</sup> Section 708(d)(1) found at Tariff Sheet No. 88.

<sup>66</sup> See TR2004341, TR2004609, TR005744, TR2006126, TR2100340, TR2100682, TR2102311, and TR2102622.

balance of (\$7,590,266)<sup>67</sup> without exception.

### Purchases and Sales

ENSTAR estimated purchases of 33,757,000 Mcf<sup>68</sup> and estimated sales of 33,534,000 Mcf.<sup>69</sup> Staff notes estimated purchases include the volumes that are associated with company use gas and the Fuel and LAUF associated with the KBPL tariff. Company use gas is defined as all gas lost, otherwise unaccounted for, and consumed for the company's use, as determined each month by the company.<sup>70</sup>

### Tariff Sheets

*Tariff Sheet No. 89:* ENSTAR's Tariff Sheet No. 89 is the template for Tariff Sheet No. 221. As noted previously, the AIX GSA expired, and therefore, ENSTAR removed the AIX GSA. In addition, ENSTAR made a ministerial housekeeping change, specifically changing Line 4 to read "Storage Fees" rather than "Reservation and Capacity Fees". The change was made in response to Staff's request, since the line item includes additional components found in CINGSA's tariff that have been previously approved by the Commission and are reflected on the CINGSA invoice (the well maintenance surcharge, non-firm revenue credits, and CINGSA tax credit previously discussed in the memorandum).<sup>71</sup> As filed, Tariff Sheet No. 89 included the Vision Resources GSA as an approved base supply contract. ENSTAR filed a revised Tariff Sheet No. 89 on June 17, 2021, removing the Vision Resources GSA from approved base supply contracts.

*Tariff Sheet No. 221:* ENSTAR's Tariff Sheet No. 221 provides the calculation of the GCA in the amount of \$8.1301 per Mcf. To be consistent with Tariff Sheet No. 89, ENSTAR removed the AIX GSA and changed Line 4 to read "Storage Fees" rather than "Reservation and Capacity Fees." As filed, Tariff Sheet No. 221 included the Vision Resources GSA as an approved base supply contract. ENSTAR filed a revised Tariff Sheet No. 221 on June 17, 2021 removing the Vision Resources GSA from base supply contracts and moved the volumes and amounts to undetermined supply.

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<sup>67</sup> TA Letter at 9 and Tariff Sheet No. 221 at Line 9.

<sup>68</sup> 29,872,000 Mcf purchased from base supply contracts, 992,000 Mcf purchased from additional gas supply, and 2,893,000 Mcf withdrawn from storage.

<sup>69</sup> Lines 7 and 12 of Tariff Sheet No. 221.

<sup>70</sup> Tariff Sheet No. 23.

<sup>71</sup> Supplemental Filing (Tariff Supplemental Filing re: Response to Staff Questions), dated May 27, 2021.

Staff reviewed the revised Tariff Sheet Nos. 89 and 221, verified the calculation of the GCA, and recommends the Commission approve Tariff Sheet Nos. 89 and 221, filed on June 17, 2021,<sup>72</sup> with an effective date of July 1, 2021.


### Waiver Request

3 AAC 52.506(g) requires a gas utility to file with each GCA filing the following information to support entries in the cost-of-gas balancing account for the historical period and projections for the future period: (1) a copy of each invoice for costs recovered through the GCA; (2) a report of gas volumes sold by customer class; (3) the GCA calculation; (4) documentation in support of projected costs and sales for the future period; (5) a calculation of the monthly balances in the gas cost balancing account (GCBA); (6) revised tariff sheets; and (7) other information that the commission considers necessary to explain entries in the GCBA or to explain the proposed GCA calculation.

ENSTAR requested a waiver of 3 AAC 52.506(g)(1), (2), (5), and (7) to provide historical information with the GCA tariff filing, because the information has already been filed with the Commission in the quarterly GCBA filings.<sup>73</sup> Staff's review of the GCBA filings and TA327-4 indicates that the quarterly GCBA filings satisfy the requirements of 3 AAC 52.506(g)(1), (2), (5), and (7), and TA327-4 satisfies the requirements of 3 AAC 52.506(g)(3), (4), and (6). Therefore, Staff recommends the Commission grant ENSTAR's waiver request.<sup>74</sup>

### Conclusion

Based on its review, Staff recommends the Commission approve Tariff Sheet Nos. 89 and 221 filed on June 17, 2021 with an effective date of July 1, 2021; and grant ENSTAR's request to waive 3 AAC 52.506(g)(1), (2), (5), and (7).

Signature:   
Email: bob.pickett@alaska.gov

Signature:   
Email: antony.scott@alaska.gov


Signature:   
Keith Kurber II (Jun 21, 2021 13:43 AKDT)  
Email: keith.kurber@alaska.gov

Signature:   
Daniel Sullivan (Jun 23, 2021 05:18 AKDT)  
Email: daniel.sullivan@alaska.gov

<sup>72</sup> Supplemental Filing (Tariff Supplement re: Response to Staff's Request- Revised Tariff Sheet Nos. 89 and 221), dated June 17, 2021.

<sup>73</sup> TA Letter at 2.

<sup>74</sup> Staff notes the Commission granted ENSTAR's request to waive 52.506(g) in TA255-4, TA257-4 TA260-4, TA265-4, TA272-4, TA284-4, TA294-4, TA306-4, TA311-4, and TA319-4.

Signature:   
Janis W. Wilson (Jun 23, 2021 08:42 AKDT)  
Email: janis.wilson@alaska.gov

RCA No. 4 30th Revision  
Cancelling  
29th Revision

Sheet No. 89  
Sheet No. 89

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STATE OF ALASKA  
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**ENSTAR Natural Gas Company**

**§708e Determination of Gas Cost Adjustment**

(1) <u>Current Cost of System Base Gas Supply:</u>			
<u>Approved Base Supply Contracts</u>	<u>Estimated Purchases*</u>	<u>Estimated Unit Cost</u>	<u>Total (A x B)</u>
	(A)	(B)	(C)
a) AIX Energy	Mcf	\$/Mcf	\$ <b>D,T</b>
b) Hilcorp APL-14	Mcf	\$/Mcf	\$ <b>D,T</b>
c) Furie Operating Alaska	Mcf	\$/Mcf	\$ <b>D,T</b>
d) System Base Gas Supply	Mcf		\$
e) Current Average Cost of System Base Gas Supply (C/A)		\$/Mcf	
(2) <u>Additional Gas Supply:</u>			
a) Short Term Supply Contracts	Mcf	\$/Mcf	\$
b) Undetermined Supply	Mcf	\$/Mcf	\$
c) Total Additional Gas Supply	Mcf		\$
(3) Gas Withdrawn From Storage	Mcf	\$/Mcf	\$
(4) FSS Storage Reservation & Capacity Fees			\$
(5) ISS Storage Fees			\$
(6) Transportation Fees			\$
(7) Total Current Cost of System Gas Supply (1d plus 2c, 3, 4, 5, & 6)	Mcf		\$ <b>T</b>
(8) Current Average Cost of System Gas Supply (C/A)		\$/Mcf	
(9) Balance of Gas Cost Balance Account at _____, _____. (March 31 <sup>st</sup> for the annual revision, otherwise the most recent month-end balance available immediately preceding the filing date) (negative if credit balance)			
			\$
(10) Other Adjustments			\$
(11) Total (7, 9, and 10 above)			\$
(12) Mcf Sales *			
(13) Weighted Average Unit Cost of Gas and Gas Cost Adjustment (11 divided by 12)			\$ /Mcf

\* For the \_\_ month period beginning \_\_\_\_\_, \_\_\_\_\_.

D – Deleted Hilcorp APL-4, Hilcorp Alaska (Unocal) and Buccaneer Alaska BUC-1.

Tariff Advice No. 311-4

Effective: **July 1, 2019**

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

RCA No. 4 31st Revision  
Cancelling  
30th Revision

Sheet No. 89  
Sheet No. 89



**ENSTAR Natural Gas Company**

**§708e Determination of Gas Cost Adjustment**

(1) <u>Current Cost of System Base Gas Supply:</u>			
<u>Approved Base Supply Contracts</u>	<u>Estimated Purchases*</u>	<u>Estimated Unit Cost</u>	<u>Total (A x B)</u>
	(A)	(B)	(C)
a) Hilcorp APL-14	Mcf	\$/Mcf	\$ <b>D,T</b>
b) Furie Operating Alaska	Mcf	\$/Mcf	\$ <b>T</b>
c) System Base Gas Supply	Mcf		\$ <b>T</b>
d) Current Average Cost of System Base Gas Supply (C/A)		\$/Mcf	
(2) <u>Additional Gas Supply:</u>			
a) Short Term Supply Contracts	Mcf	\$/Mcf	\$
b) Undetermined Supply	Mcf	\$/Mcf	\$
c) Total Additional Gas Supply	Mcf		\$
(3) Gas Withdrawn From Storage	Mcf	\$/Mcf	\$
(4) FSS Storage Fees			\$ <b>C</b>
(5) ISS Storage Fees			\$
(6) Transportation Fees			\$
(7) Total Current Cost of System Gas Supply (1c plus 2c, 3, 4, 5, & 6)	Mcf		\$ <b>T</b>
(8) Current Average Cost of System Gas Supply (C/A)		\$/Mcf	
(9) Balance of Gas Cost Balance Account at _____, _____. (March 31 <sup>st</sup> for the annual revision, otherwise the most recent month-end balance available immediately preceding the filing date) (negative if credit balance)			
			\$
(10) Other Adjustments			\$
(11) Total (7, 9, and 10 above)			\$
(12) Mcf Sales *			
(13) Weighted Average Unit Cost of Gas and Gas Cost Adjustment (11 divided by 12)			\$ /Mcf

\* For the \_\_ month period beginning \_\_\_\_\_, \_\_\_\_\_.

D – Deleted AIX Energy

Tariff Advice No. 327-4

Effective: \_\_\_\_\_

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.



RCA No. 4 **49th Revision**  
**Cancelling**  
**48th Revision**

Sheet No. 221  
Sheet No. 221

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STATE OF ALASKA  
REGULATORY COMMISSION OF ALASKA



**ENSTAR Natural Gas Company**

§2301 **Determination of Gas Cost Adjustment**

(1) <u>Current Cost of System Base Gas Supply:</u>				
<u>Approved Base Supply Contracts</u>		<u>Estimated Purchases*</u> (A)	<u>Estimated Unit Cost</u> (B)	<u>Total (A x B)</u> (C)
a)	AIX Energy	698,000 Mcf	\$6.5400/Mcf	\$ 4,565,000 C
b)	Hilcorp APL-14	27,244,000 Mcf	\$8.0229/Mcf	\$ 218,576,000 C
c)	Furie Operating Alaska	2,675,000 Mcf	\$6.5882/Mcf	\$ 17,623,000 C
d)	System Base Gas Supply	30,617,000 Mcf		\$ 240,764,000 C
e)	Current Average Cost of System Base Gas Supply (C/A)		<u>\$7.8637/Mcf</u>	C
(2) <u>Additional Gas Supply:</u>				
a)	Short Term Supply Contracts	165,000 Mcf	\$6.7000/Mcf	\$ 1,106,000 C
b)	Undetermined Supply	0 Mcf	\$0.0000/Mcf	\$ 0 C
c)	Total Additional Gas Supply	165,000 Mcf		\$ 1,106,000 C
(3)	Gas Withdrawn From Storage	2,757,000 Mcf	\$7.8792/Mcf	\$ 21,723,000 C
(4)	FSS Storage Reservation & Capacity Fees			\$ 12,189,690 C
(5)	ISS Storage Fees			\$ 0 C
(6)	Transportation Fees			\$ 1,122,000 C
(7)	Total Current Cost of System Gas Supply (1d plus 2c, 3, 4, 5, & 6)	<u>33,539,000 Mcf</u>		\$ 276,904,690 C
(8)	Current Average Cost of System Gas Supply (C/A)		<u>\$8.2562/Mcf</u>	C
(9)	Balance of Gas Cost Balance Account at March 31, 2020. (March 31 <sup>st</sup> for the annual revision, otherwise the most recent month-end balance available immediately preceding the filing date) (negative if credit balance)			\$ 529,723 C
(10)	Other Adjustments			\$ 0 C
(11)	Total (7, 9, and 10 above)			\$ 277,434,413 C
(12)	Mcf Sales *			33,332,000 C
(13)	Weighted Average Unit Cost of Gas and Gas Cost Adjustment (11 divided by 12)			<u>\$ 8.3234/Mcf</u> R

\* For the 12-month period beginning July 1, 2020. C

Tariff Advice No. 319-4

Effective: **July 1, 2020**

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

RCA No. 4 **50th Revision**  
**Cancelling**  
**49th Revision**

Sheet No. 221  
Sheet No. 221



**ENSTAR Natural Gas Company**

§2301 **Determination of Gas Cost Adjustment**

(1) <u>Current Cost of System Base Gas Supply:</u>				
<u>Approved Base Supply Contracts</u>		<u>Estimated Purchases*</u> (A)	<u>Estimated Unit Cost</u> (B)	<u>Total (A x B)</u> (C)
a)	Hilcorp APL-14	27,580,000 Mcf	\$8.0307/Mcf	\$ 221,487,000 C,D,T
b)	Furie Operating Alaska	2,292,000 Mcf	\$6.7247/Mcf	\$ 15,413,000 C,T
c)	System Base Gas Supply	29,872,000 Mcf		\$ 236,900,000 C,T
d)	Current Average Cost of System Base Gas Supply (C/A)		<u>\$7.9305/Mcf</u>	C,T
(2) <u>Additional Gas Supply:</u>				
a)	Short Term Supply Contracts	46,000 Mcf	\$6.9000/Mcf	\$ 317,000 C
b)	Undetermined Supply	946,000 Mcf	\$7.3164/Mcf	\$ 6,921,000 C
c)	Total Additional Gas Supply	992,000 Mcf		\$ 7,238,000 C
(3)	Gas Withdrawn From Storage	2,893,000 Mcf	\$7.9049/Mcf	\$ 22,869,000 C
(4)	FSS Storage Fees			\$ 12,318,000 C
(5)	ISS Storage Fees			\$ 0 C
(6)	Transportation Fees			\$ 900,000 C
(7)	Total Current Cost of System Gas Supply (1c plus 2c, 3, 4, 5, & 6)	<u>33,757,000 Mcf</u>		\$ 280,225,000 C,T
(8)	Current Average Cost of System Gas Supply (C/A)		<u>\$8.3012/Mcf</u>	C
(9)	Balance of Gas Cost Balance Account at March 31, 2021. (March 31 <sup>st</sup> for the annual revision, otherwise the most recent month-end balance available immediately preceding the filing date) (negative if credit balance)			\$ (7,590,266) C
(10)	Other Adjustments			\$ 0 C
(11)	Total (7, 9, and 10 above)			\$ 272,634,734 C
(12)	Mcf Sales *			33,534,000 C
(13)	Weighted Average Unit Cost of Gas and Gas Cost Adjustment (11 divided by 12)			<u>\$ 8.1301/Mcf</u> R

\* For the 12-month period beginning July 1, 2021. C

D – Deleted AIX Energy.

Tariff Advice No. 327-4

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